

## Master Document – Audit Program

Activity Code 42000		Defective Pricing Audit (Post Award)	
Version 5.0, dated April 2004			
B-1	Planning Considerations		
Purpose and Scope			
1. The purpose of postaward audits of selected contract actions is to:			
a. Determine whether individual covered contracts are substantially in compliance with 10 U.S.C. 2306a (known as the "Truth in Negotiations Act") or 41 U.S.C. 254(d) (similar provisions applicable for executive agencies other than DoD, NASA, and the U.S. Coast Guard). See CAM Section 14-103.1 to determine the appropriate U.S.C. citation.			
b. Recommend contract price adjustments to cognizant contracting officers if contracts are not in compliance with the Act. To determine noncompliance, the audit must establish that:			
(1) The information in question fits the definition of cost or pricing data.			
(2) Accurate, complete, and current data existed and were reasonably available to the contractor before the agreement on price or another date agreed upon by the parties.			
(3) Accurate, complete, and current data were not submitted or disclosed to the contracting officer or one of the designated representatives of the contracting officer and that these individuals did not have actual knowledge of such data or its significance to the proposal.			
(4) The Government relied on the defective data in negotiating with the contractor.			
(5) The Government's reliance on the defective data caused an increase in the contract price.			
c. Identify and recommend changes and corrections to contractors' systems and procedures to ensure compliance with the applicable laws and regulations.			
2. The auditor is expected to exercise professional judgment, considering vulnerability and materiality, in determining the scope of audit.			
a. This program is intended to provide a logical sequence to the audit effort and to reflect a mutual understanding between the auditor and supervisor as to the scope required to meet auditing standards and DCAA objectives for the current assignment. Audit steps in the Risk Assessment/Preliminary Steps, Probe Transaction Testing and Concluding Audit Steps sections are mandatory for completion of the audit. Once the Risk Assessment/Preliminary Audit Steps are completed, discuss with the supervisor the planned scope for further effort; and			

## Master Document – Audit Program

<p>obtain supervisory approval of any additional effort before beginning the probe transaction testing. The Probe Transaction Testing section must be completed to ensure adequate substantive testing has been performed to provide a reasonable basis for an opinion. Probe transaction testing should be performed based upon the data obtained in the risk assessment. Before detailed audit steps are performed, discuss the audit scope based on data gathered during the probe transaction testing with the supervisor and obtain supervisory approval. Although the Preliminary, Risk Assessment and Probe Transaction Testing steps are mandatory, the auditor is expected to exercise professional judgment considering vulnerability and materiality when performing those steps.</p>
<p>b. The detailed audit steps are intended to be general guidance and should be expanded or eliminated as necessary to fit the current audit (CAM 3-103).</p>
<p>c. Include audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, abuse, or illegal acts that are material (CAM 4-702).</p>
<b>References</b>
1. CAM 14-100 Postaward Audits of Contractor Cost or Pricing Data
2. CAM 10-600 Audit Reports on Postaward Audits of Cost or Pricing Data
3. CAM 4-304.3 Postaward Audits of Cost or Pricing Data for Possible Defective Pricing
4. CAM 2-302 Field Work Standards for Financial Statement and Financial Related Audits, Planning

<b>B-1</b>	<b>Preliminary Steps</b>	<b>WP Reference</b>
<b>Version 5.0, dated April 2004</b>		
1.	Brief contract and PNM to reconfirm that the pricing action is a negotiated procurement, has not been audited before, the contract includes a defective pricing clause, and the Government relied on the data provided by the contractor. (See Contract Brief pro forma, POST-Contract Brief, in audit program attachments.) If these conditions are not present, advise the supervisor so that a determination can be made, as to whether the audit should be performed.	
a.	Determine if any modifications affect the pricing action (e.g., terminations, restructures, etc.), then consult with the supervisor. For subcontracts, consider that modifications to either the prime or subcontract may affect the pricing action.	

## Master Document – Audit Program

b. Determine whether modifications identified in the contract brief have been included in the defective pricing universe. If not, then update the universe to include them.	
2. Brief the PNM and any attached or referenced Government documents to determine if there is a breakdown of the elements of cost negotiated.	
a. In addition, brief any documents that the contracting officer asserts in writing are representative of the prices negotiated, such as the pre-negotiation clearance.	
b. If there is evidence that proves the specific negotiated cost element prices, this cost level should be used in the computation of the recommended price adjustment for any defective element.	
c. Otherwise, use the value of the specific defectively-priced element of cost in the contractor's last proposal, plus or minus the impact of subsequent cost or pricing data submitted up to the time of agreement to include sweep data.	
3. For subcontracts only, ascertain relevant dates or determine at the prime contract level if there is recovery. Refer to CAM 14-119.3 for guidance on relevant dates and contract type.	
4. If the audit was requested by the contracting officer, another Government organization, or prime DCAA FAO determine whether the requester has any areas of specific concern and acknowledge the audit request (CAM 9-103.2). If the audit was requested, it should be treated as a nondiscretionary assignment.	
5. Notify the contracting officer of the planned defective pricing audit. Advise the contracting officer that the audit is based on the statement in the PNM that there was reliance on the contractor's cost or pricing data and request confirmation of the reliance. Request the contracting officer to identify any specific concerns which may have a bearing on the audit. Also, request the following information, if not already available at the FAO or from the contractor. (See Format for Announcing Post Award Audit and/or Requesting Data," POST-Announce Request, in audit program attachments.) For subcontracts, this data will be obtained through the prime contract auditor.	
a. Negotiation memorandums (see CAM 14-111 and 14-115). If the PNM is not on file and not available from the ACO, initially request only the PNM from the PCO. Do not request other data from the PCO before analyzing the PNM. For subcontracts, obtain both the Government PNM and prime contractor's negotiation memorandum.	
b. Final (if more than one) Certificate of Current Cost or Pricing Data (see CAM 14-107).	

## Master Document – Audit Program

c. Identification of all cost or pricing data submitted before or during negotiations. Also, a list of additional data submitted after date of agreement on price along with the Certificate of Current Cost or Pricing Data.	
d. Contracting officer's statement regarding his or her reliance on cost or pricing data, if not included in the negotiation memorandum.	
e. If auditing a subcontract, ascertain if the prime contractor was required to submit the subcontract cost or pricing data to the Government (FAR 15.404-3c). If not, obtain evidence from the prime contract auditor that the prime contractor relied on the subcontract cost or pricing data prior to proceeding with the audit.	
f. Report number and date of any preaward audit performed on the subject contract.	
g. Copies of the contractor's proposal(s).	
h. Copies of any Government technical report(s).	
i. Copies of any Government price analysis report(s).	
j. Other data deemed necessary.	
6. Notify the contractor in writing of the planned postaward audit. A proforma letter entitled "Informing Contractor of Audit and Need for Access to Pricing and Performance Records" is included in audit program attachments as POST-Inform Contractor. The letter to the contractor will request an entrance conference at which time the contractor should provide requested data including cost or pricing data provided to the PCO subsequent to the last formal proposal update, costs incurred (to date) by cost element, and, if applicable, a copy of the final voucher.	
7. In planning and performing the examination, consider the fraud risk indicators specific to the audit. The principal sources for the applicable fraud risk indicators are: <ul style="list-style-type: none"> <li>• Handbook on Fraud Indicators for Contract Auditors, Section IV. (IGDH 7600.3, APO March 31, 1993) located at <a href="http://www.dodig.osd.mil/PUBS/index.html">www.dodig.osd.mil/PUBS/index.html</a>, and</li> <li>• CAM 14-121 and CAM Figure 4-7-3.</li> </ul>	
Document in working paper B any identified fraud risk indicators and your response/actions to the identified risks (either individually, or in combination). This should be done at the planning stage of the audit as well as during the audit if risk indicators are disclosed. If no risk indicators are identified, document this in working paper B.	
8. Hold an entrance conference with the contractor (see CAM 4-302).	

## Master Document – Audit Program

9. Perform a risk analysis considering the following:	
a. Contract type and its effect on the overall audit approach.	
b. Materiality of the cost elements.	
c. History of defective pricing.	
10. Understanding and Evaluating the Contractor's Internal Control Structure	
a. Evaluate the Internal Control Audit Planning Summaries (ICAPS) (or ICQ for nonmajor contractor where ICAPS have not been completed) to obtain and document an understanding of the estimating system and any other applicable internal control systems the contractor may have (e.g. labor, MMAS, etc.). Identify any deficiencies which would impact the audit and document their potential impact on each significant cost element.	
b. If the contractor is classified as non-major (where ICAPS have not been completed) and if the evidential matter to be obtained during the audit is highly dependent on computerized information systems, document on working paper B-2 the audit work performed that supports reliance on the computer-based evidential matter. Specifically, document or reference one or more of the following in working paper B-2:	
(1.)the audit assignment(s) where the reliability of the data was sufficiently established in other DCAA audits,	
(2.)the procedures/tests that will be performed in this audit to evaluate the incurred costs that will also support reliance on the evidential matter, and/or	
(3.)the tests that will be performed in this audit that will be specifically designed to test the reliability of the computer-based data.	
When sufficient work is not performed to determine reliability (i.e., reduce audit risk to an acceptable level), qualify the audit report in accordance with CAM 10-210.4a and 10-504.4a.	
11. Perform analytical procedures to identify additional risk elements.	
a. Based on the data obtained in the preliminary audit steps, prepare a Chronology of Significant Events. A sample Chronology of Significant Events is included in the audit program attachments as POST-ChronSigEvent.	
b. If a preaward audit of the contractor's proposal was performed, obtain the following to assist in determining potential areas to evaluate:	

## Master Document – Audit Program

i) Defective Pricing Lead Sheet. (Complete part A of this form if not done as part of the preaward audit.)	
ii) Obtain the PNM and complete part B of the Defective Pricing Lead Sheet.	
c. Analyze the PNM for potential risk areas.	
d. Identify other potential defective pricing leads to help establish the audit scope. Evaluate audit reports, audit lead sheets, and defective pricing indicators included in CAM 14-117.	
e. Determine the appropriate baseline for audit. Prepare the baseline working paper by cost element, showing proposals and additional cost or pricing data. (See CAM 14-116.2.)	
f. Perform an overrun/underrun test using the actual costs incurred or a current cost estimate at completion (EAC) compared to the audit determined baseline costs. Identify potential defective pricing leads. Note any reasons for not performing the test such as the audit was initiated shortly after the pricing action negotiation.	
i) Analyze pricing action completed costs incurred or current EAC versus the audit baseline by cost element and subelement such as overhead rates. Identify areas that provide the greatest or least potential for price adjustment, to assist in developing potential probe transaction testing items.	
ii) Underruns do not necessarily indicate defective pricing. Lack of significant underruns, however, does not necessarily indicate the absence of defective pricing. Significant overruns may identify potential offsets, which can also influence the audit scope.	
12. Document the need for technical assistance and/or assist audits. Identify those areas that could warrant a request for technical assistance or assist audit, but for which you are unable to make a determination at this time.	
13. Summarize the results of the risk assessment and clearly identify the nature and extent of probe transaction testing of major risk cost elements for indicators of potential defective pricing.  NOTE: If there has not been an audit of the preaward proposal and an audit of the estimating system, perform probe steps into all cost elements with significant costs. However, if this exception does not apply, then perform probe transaction testing for only the highest risk of the significant cost elements based on the results of the risk assessment. Some probe testing must be performed.	

## Master Document – Audit Program

D-1	Probe Transaction Testing	WP Reference
<b>Version 5.0, dated April 2004</b>		
1.	Determine items selected for probe transaction testing and discuss the probe test plan with supervisory auditor. Document the discussion with the supervisory auditor and note any changes to the planned probe testing developed.	
2.	Perform probe transaction testing for the cost elements based on the results of the probe transaction testing plan developed in step 1, above. <i>Note: Auditors should develop specific audit steps for probe transaction testing. Examples include:</i>	
a.	Material/Subcontract: Select major material items and compare available actuals to baseline amounts.	
b.	Rates/Factors:	
	(1) Verify the baseline rates and factors to those agreed upon as of the date of price agreement.	
	(2) Analyze the rates and factors in effect 90 days after price agreement to determine if there are any new agreements, submissions, etc. which may have been in process prior to price agreement.	
	(3) If the contractor does not have regular bidding rate submissions, then consider this as an indicator of high risk which should be considered for further examination.	
c.	Labor Hours: Determine the basis for proposed hours.	
	(1) If judgmentally estimated, then determine if history was available and not used. (Note: Historical cost/pricing does not have to be used in the proposal - only disclosed.)	
	(2) If based on history, was it the most relevant and current available?	
d.	Other Direct Costs. Determine the proposal basis for significant cost elements and if this basis is consistent with the contractor's established estimating practices.	
3.	Follow-up on all items identified on WP B-3 as potentially requiring technical assistance or assist audits. Make a determination of the need for technical assistance/assist audits based on probe transaction testing. This effort should be documented on "Follow-up for Need for Technical Assistance or Assist Audits" found in Other Audit Guidance.	
4.	Establish reasons for the scope of further audit effort. Based on the results of the risk assessment, analytical procedures, and probe	

## Master Document – Audit Program

transaction testing, document what should be examined and why. If further audit effort is not warranted, document those reasons also. Discuss your determination of the extent of audit effort required to complete the assignment with the supervisor.	
a. If the supervisor agrees the audit should be continued, document this discussion and decision. Consider the need to request specific technical assistance based on audit risk. Modify the detailed audit steps in the audit step groupings entitled “Evaluation of Direct Material”, “Evaluation of Labor Rates and Hours”, “Evaluation of Indirect Rates and Factors”, “Evaluation of Offsets”, “Evaluation of Other Direct Costs”, and “Evaluation of Subcontracts” to reflect the agreed to audit scope and submit those sections of the audit program for the supervisor's approval. Before proceeding to the next phase of the audit, the supervisory auditor must sign these audit steps on the signature line indicating agreement on the results of the probe transaction testing and necessary detailed audit steps.	
b. If the supervisor agrees that further audit effort is not warranted, document this discussion and decision and complete the Concluding Audit Steps.	
<hr/> <b>Supervisor’s Signature and Date Indicating Agreement on Results of Probe Transaction Testing and Necessary Detailed Audit Steps</b>	

<b>E-1</b>	<b>Labor Rates &amp; Hours</b>	<b>WP Reference</b>
<b>Version 5.0, dated April 2004</b>		
1.	Analyze the negotiation memorandum, preaward audit file and technical report to determine the basis of baseline direct labor hours and rates.	
2.	Evaluate the cost or pricing data supporting the contractor's baseline labor hours and rates.	
3.	Compare baseline and actual labor hours and rates by category to determine if significant variances exist.	
4.	Determine if the rates (including FPRAs) were updated for relevant data available at the time of price agreement. Relevant data includes changes in skill mix and escalation.	
5.	If the baseline rates were based on or affected by union agreements, determine the date and status of union agreements at the time of negotiations.	



## Master Document – Audit Program

6. Based on steps 1 through 5, determine if additional audit effort is warranted and prepare the necessary additional audit steps.	
7. Identify and keep separate potential offsets discovered (CAM 14-118).	
8. Summarize the result of the direct labor hours/rate evaluation. Your working papers should establish that the five elements of defective pricing have been met (CAM 14-102b).	

<b>F-1</b>	<b>Material</b>	<b>WP Reference</b>
	<u>(Including Transfers Between Divisions, Subsidiaries, or Affiliates Under Common Control)</u>	
	<b>Version 5.0, dated April 2004</b>	
	1. Based on the contractor's baseline (see the Risk Assessment step 3e and/or the preaward audit folder), determine the types, quantities and unit prices of raw material, purchased parts, and interdivisional transfers.	
	2. Compare baseline costs to actual costs by material category to determine if significant variances exist. Even though significant material costs have not been incurred, determine if material parts have been ordered (purchase order or purchase contract) and compare to the baseline material costs to determine if significant variances exist.	
	3. Based on the result of audit steps 1, 2, probe tests, and prior experience with the contractor, select items for evaluation using the following method(s) as appropriate in the circumstances:	
	a. Items of significant dollar value.	
	b. Statistical sampling selection.	
	(1) If statistical sampling is not used, explain why? (CAM 4-605a)	
	(2) If statistical sampling is used, design a sampling plan. Your plan should (i) clearly state the audit objective, (ii) describe the universe, (iii) describe sampling frame, (iv) reconcile universe with sampling frame, (v) select sampling approach, (vi) develop reliability goals, (vii) establish sample size, (viii) describe sample selection method, and (ix) identify software program to evaluate the sample. (CAM Appendix B)	
	4. For the items selected, compare the baseline unit cost, kind, and quantity to the actual unit cost, kind, and quantity as shown on the purchase order.	
	a. If the purchase order was awarded before date of price agreement and the amount was less than the baseline, compute the potential	

## Master Document – Audit Program

recommended price adjustment.	
b. If material purchased is different from the material baseline and this resulted in significant cost underruns, determine reasons for differences and ascertain when the decision to change material was made.	
c. If the purchase order was issued within a reasonable period after price agreement and the value was less than the baseline, look at vendor quotations and/or obtain third party confirmation (CAM 14-120.6) to determine whether the contractor was aware of the reduced cost before price agreement. (Note that the issuance of a purchase order after price agreement is the culmination of the purchasing process. Purchasing activities may have occurred prior to price agreement.)	
d. Compare the baseline value of items proposed as catalog or commercial market priced items to prices actually paid by the prime to its vendors. (Note: If an exception was granted, DP would not be present.)	
e. Evaluate intracompany pricing to ensure that profit was excluded from the prime contractor's price (FAR 31.205-26(e)) and perform applicable audit steps in the "Evaluation of Subcontracts" audit grouping. (Note: If the contract is FFP, the cost principles do not apply.)	
f. Identify and keep separate potential offsets discovered during the audit (CAM 14-118).	
5. Evaluate the uncommitted residual inventory to determine if it was considered in pricing the proposal. (Note: residual inventory should be priced at its inventory carrying value.)	
6. Evaluate all other rates/factors applied to material costs including intracompany costs. Compare baseline and experienced rates/factors. Determine if the proper allocation bases were used in the proposal and if the pricing method is consistent with the estimating and accounting system.	
7. Summarize the results of the material evaluation. Your working papers should establish that the five elements of defective pricing have been met (CAM 14-102b).	

<b>G-1</b>	<b>Indirect Rates &amp; Factors</b>	<b>WP Reference</b>
<b>Version 5.0, dated April 2004</b>		
1.	Compare baseline and actual indirect rates, pools, and bases by year to	

## Master Document – Audit Program

determine if significant variances exist.	
2. Determine if the rates (including FPRAs) were updated for relevant data available at the time of price agreement.	
3. Determine if the most current corporate allocations (pension, insurance, and fringe benefit costs, etc.) were disclosed by date of price agreement.	
4. Based on the results of the above steps, prepare additional detailed audit steps as appropriate.	
5. Identify and keep separate potential offsets discovered (CAM 14-118).	
6. Summarize the results of indirect expense evaluation. Your workpapers should establish that the five elements of defective pricing have been met (CAM 14-102b).	

<b>H-1</b>	<b>Other Direct Costs</b>	<b>WP Reference</b>
<b>Version 5.0, dated April 2004</b>		
1.	Evaluate the cost or pricing data supporting the contractor's baseline ODCs.	
2.	Compare actual costs by category (e.g., travel, consultants) with baseline costs. Identify any significant variances, which may warrant further examination.	
3.	Based on the above, select items for audit and develop appropriate detailed audit steps for items selected.	
4.	Identify and keep separate potential offsets discovered (CAM 14-118).	
5.	Summarize the results of the ODC evaluation. Your working papers should establish that the five elements of defective pricing have been met (CAM 14-102b).	

<b>I-1</b>	<b>Subcontracts</b>	<b>WP Reference</b>
<b>Version 5.0, dated April 2004</b>		
1.	Use the baseline bill of materials and identify subcontracts that meet the criteria for submission of cost or pricing data.	
2.	Determine the potential for defective pricing at the prime level on each subcontract considering the following:	
a.	Was the prospective subcontract awarded to another subcontractor	

## Master Document – Audit Program

or not awarded at all? (CAM 14-119.4)	
b. Why and when was the change made to a different subcontractor? A decision to change prior to the price agreement date indicates potential defective pricing.	
c. If the subcontract was not awarded, was the item produced internally? If so, when was this decision made? A decision to change prior to the price agreement date indicates potential defective pricing.	
d. Does the negotiated subcontract amount agree with the baseline data provided by the prime to the Government?	
e. If the subcontract was negotiated before prime contract award, did the prime contractor disclose this information before agreement on prime contract price? If the subcontract was negotiated after award to the prime contractor, did the prime have a subcontract negotiation position and/or a cost analysis review as required by FAR before prime contract negotiations, and if so, was pertinent data disclosed?	
f. If a DCAA preaward assist audit was performed, did the report reference any significant estimating system deficiencies? Did the prime contractor consider the results of a DCAA assist audit? Consider requesting an assist defective pricing audit.	
g. Was the subcontract proposal for a follow-on subcontract? If so, was the prior experience considered in preparing this proposal? Consider the need for an assist audit.	
h. Evaluate all other rates/factors applied to subcontract costs. Compare baseline and experienced rates/factors. Determine if the proper bases were used and if the pricing method is consistent with the estimating and accounting system.	
3. Request a subcontract assist audit only when an audit lead results from the above analysis.	
4. Identify and keep separate potential offsets discovered (CAM 14-118).	
5. Summarize results of subcontract evaluation. Your workpapers should establish that the five elements of defective pricing have been met (CAM 14-102b).	

J-1	Offsets	WP Reference
Version 5.0, dated April 2004		
Evaluate and consider offsets identified by either the auditor or the		

## Master Document – Audit Program

contractor in accordance with CAM 14-118.	
---	--

<b>A-1</b>	<b>Concluding Steps</b>	<b>WP Reference</b>
<b>Version 5.0, dated April 2004</b>		
	1. Summarize the results of audit of individual cost elements, assuring that the 5 elements of defective pricing have been met for each recommended price adjustment. Assess whether total recommended price adjustment for this pricing action meets materiality working guidelines provided in CAM 14.120.1(c). See Audit Planning Considerations (1.b.).	
	2. Determine whether any findings of defective pricing require further pursuit or referral because the audit detected material errors, irregularities, abuse, or illegal acts. Do not release or disclose to the contractor information relating to a matter referred for investigation. (CAM 14-121 and 4-700).	
	3. Determine whether any of the defective pricing findings resulting from this audit are the result of estimating deficiencies which have not been previously reported (CAM 14-120.7d and 10-400). If these deficiencies still exist, issue a flash report as appropriate. (CAM 9-310).	
	4. Ensure that the contractor has provided a certificate in support of any claim for offsets (for contracts awarded on or after 15 Feb 87). Do not evaluate any offset or adjust the audit findings until the contractor provides the required certificate (CAM 14-118b).	
	5. Discuss the result of audit with the supervisory auditor. Discussion should include any recommended price adjustment that does not exceed materiality threshold to ensure that other conditions do not exist that would warrant reporting defective pricing below the materiality threshold. (See CAM 14.120.1(c)).	
	6. Discuss defective pricing issues with the contracting officer throughout the course of the audit as issues are revealed. Confirm with the contracting officer in writing that the data in question was not disclosed and that the Government did not have actual knowledge. An example memorandum, entitled “Memorandum to the Contracting Officer to Confirm Knowledge of and Reliance on Cost or Pricing Data”, can be found in Other Audit Guidance. Provide the contracting officer with the draft report exhibit(s) and explanatory notes on apparent defective pricing issues so that he/she has an opportunity to provide comments CAM 14-122a. Ask that the contracting officer provide written comments on the findings in the draft report. An example memorandum, entitled “Memorandum to the	

## Master Document – Audit Program

Contracting officer Requesting Comments on the Draft Audit Report on Postaward Audit,” can be found in Other Audit Guidance. Describe in the final report the auditor’s interaction with the contracting officer during the audit and the contracting officer’s reaction to issues and the draft audit report.	
7. Hold an exit conference with the contractor. (CAM 4-304.3). The contractor should normally be provided a draft copy of report exhibit(s) and explanatory notes, unless the circumstances addressed in step 2 apply. The contractor should be afforded an opportunity (normally 30 days) to review the matter and provide any additional information for the auditor’s consideration (CAM 14-122b).	
8. Compute the recommended price adjustment. Include interest base calculations consistent with CAM 14-124. Obtain copies of all DD Forms 250, Material Inspection and Receiving Report prepared by the purchasing office. Use the information on accepted contract items from the DD Form 250s for calculating interest associated with defective pricing findings on contracts to which the defective pricing interest provision applies.	
9. Prepare the audit report (CAM 10-600) whether positive or negative. Assure the notes sufficiently explain the reasons for the defective pricing in relation to the 5 elements that must be met to prove defective pricing. Postaward audit reports should not be issued until initial findings have been properly coordinated and discussed by all parties.	
10. Update the ICAPS as appropriate.	
11. Closing actions should be performed in accordance with FAO procedures. These procedures may require either auditors or administrative personnel to perform various closing steps. Completion of these closing actions should be documented (e.g., by initials and date on the CD or working paper folder, etc.) and should include:	
a. The title, author, and keywords fields of the file properties in the audit report must be completed (for the audit report only) prior to final filing.	
b. Review the APPS exe file for size. APPS-generated executable files that are over 10 megabytes in size should be reviewed to ensure that the format and content justify the size. Supervisors are responsible for reviewing or designating someone to review these files for content and format.	
c. Review the APPS exe file for temporary files. These files can be recognized by the “~\$” or “~WRL” at the beginning of the file name. Once the APPS exe file is complete and there is NO ACTIVITY to be completed on any of the files contained within	

## Master Document – Audit Program

<p>the exe file, any temporary files should be deleted so there are no unintentional versions of working papers and/or reports. NOTE: This should be done prior to invoking the Export/Archive Option in APPS.</p>	
<p>d. Once an audit report is signed, the electronic document should immediately be modified to indicate who signed it, and it should be password protected. The electronic file should then be renamed according to the convention “01 DCAA Report [RORG-ASSIGNMENT NO.] – Final.doc” and changed to a read-only file. Only this file should be stored, transmitted, or otherwise used for official purposes. For Memorandums the word “Report” would be replaced by “MFF” or “MFR” in the naming convention as appropriate.</p>	
<p>e. When the audit report is transmitted electronically to the requestor, the transmission email should be saved as a txt file (this will ensure the attachments are not saved again). Saving delivery or read receipts is optional. If saved, the naming convention should distinguish them from transmittal emails.</p>	
<p>f. Once the report is signed, the signature page of the audit report must be scanned in accordance with Agency standard scanning instructions. For audit packages, the scanned signature page file should be named the same as the audit report (see above) with “-sig” added (i.e., 01 DCAA Report 01101-2002X10100389-Final-sig.pdf). There is no requirement to make the file a part of the APPS generated executable file and it must be included separately in the iRIMS folder. There is no need to scan the signature page of a Memorandum unless it is distributed outside of DCAA.</p>	
<p>g. Ensure an electronic copy of the final draft audit report containing the supervisory auditor’s initials and date, cross-referenced to the working papers, is included in the working paper package. The final draft report should include all substantive changes made to the original draft, with cross-referencing updated as necessary. It should differ from the final report only due to minor administrative changes (spelling, format, etc.) made during final processing.</p>	
<p>h. Ensure all working paper files are "read only" and, if necessary, compressed for final storage. Generally, current Agency software should be used to automatically modify all electronic files for storage.</p>	
<p>i. Two complete sets of electronic working papers should be filed. One set (official) will be filed in iRIMS. A second set (backup) will be stored on removable media in the hard copy working paper folder. The new APPS naming convention</p>	

## Master Document – Audit Program

(ex: 01701_2003A10100001_Archive_093003.exe) will be used for both. If there will be a short-term need to access the working papers, a third, or "working" set should be stored so as to be available for reference, generally on the LAN. This set should be deleted when no longer needed.	
j. Verify using a separate machine, that electronic files stored on removable media are not corrupted and can be unarchived. Indicate the test was successful by placing tester initials and date prominently on the CD label.	
k. Securely enclose the “backup” set of electronic files (CD) and any “official” set of hard copy in the hard copy folder.	
l. File the “official” set of electronic files in iRIMS (see iRIMS User Guide).	
m. <b><u>Do Not File Sensitive Audits in iRIMS</u></b> : Sensitive audits include but are not limited to classified work, suspected irregular conduct, hotline or DCAA Form 2000 related files. These audits should not be filed in iRIMS at this time. See CAM 4-407f for filing instructions.	